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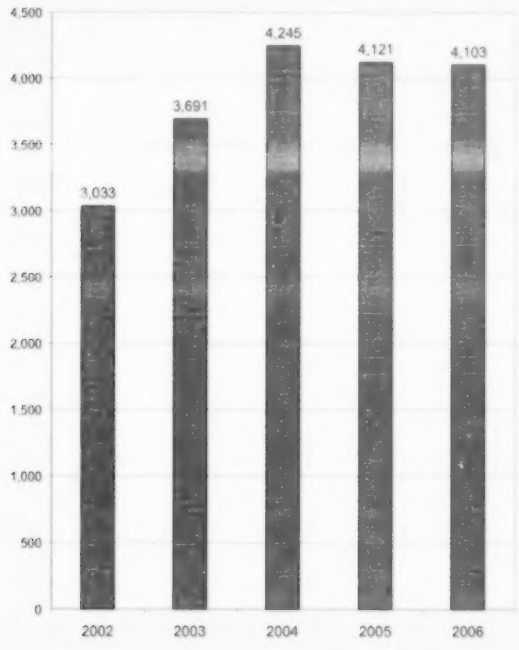
ECONOMIC BRIEF

July 2007

Business and Community Newsletter Exploring Economic and Market Trends in Canada's Northwest Territories

GDP Declines on Lower Mineral Production

Gross Domestic Product, Expenditure-Based, (Millions of $'s)



Source: Statistics Canada

Gross Domestic Product or GDP measures the value of goods and services produced by a region or territory. The chart at left shows GDP on an annual basis for the NWT from 2002 through 2006, in millions of current dollars. Although the level of GDP has experienced tremendous growth since 1999, averaging 9 percent annually, GDP values for 2005 and 2006 actually declined from previous years. Overall, GDP has increased 79% since 1999, and remains over $4 billion.

This level of GDP is more impressive considering the NWT only has around 42,000 residents. This translated to a per capita GDP of $98,000 in 2006. By comparison, Alberta had a per capita GDP of $70,000, while the Canadian average is $44,000.

Diamond mines were responsible for record GDP growth between 1999 and 2006, but they are also associated with the recent decline in GDP. Exports have been flat, while the value of imports increased. In 2006, carat production of diamonds increased by 5 percent, but the monetary value of production declined by 11 percent due to a decrease in grade of the stones.

The development of new mineral properties will significantly increase imports. However, once these projects enter production, their exports will more than offset the initial increase in imports. With the DeBeer's Snap Lake mine entering production in late 2007, GDP can be expected to increase by $400-500 million. Other potential mining projects are highlighted on the following page.

Northwest Territories Industry, Tourism and Investment

Major New Investments

The diamond mining industry has been the driving force behind the strong economic growth that the NWT has experienced over the last decade. This growth is expected to continue over the next decade fueled by record high commodity prices. However, future development is not just associated with diamonds, but also includes commodities such as gold, silver, lead, zinc and copper.

As shown in the table below, at least six new mining projects could enter production over the next five years. Beyond this period, there are three additional projects that could enter the production phase. These projects have the potential to have a significant impact on the economy. Based on preliminary projections, total capital costs for the initial six projects are estimated to be $2 billion. To put this number into perspective, it is roughly equal to the combined capital costs for both the Ekati™ Diamond Mine and the Diavik™ Diamond Mine.

Perhaps more important than the capital investment is the total number of full-time positions that are expected to be created. The six initial projects alone are anticipated to create more than 1,900 direct jobs.

Major New Mining Investments

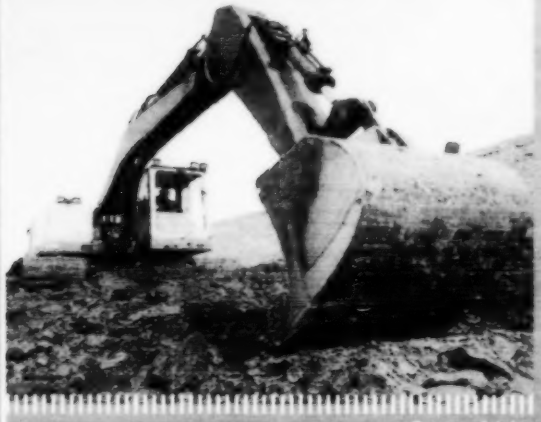
Project/Mine	Major Owner	Commodity	Projected Production Date	Projected Employment	Projected Capital Costs in $ millions
Snap Lake	De Beers	Diamonds	2007	500	975
Yellowknife Gold Project	Tyhee	Gold	2008	300	100
Prairie Creek	Canadian Zinc	Silver, Zinc, Lead, Copper	2008	230	41
Pine Point	Tamerlane	Zinc, Lead	2008	160	N/A
Nico	Fortune	Gold, Cobalt, Bismuth	2010	300	215
Gahcho Kue	De Beers	Diamonds	2011	400	960
Courageous Lake	Seabridge	Gold	Beyond Five Years	N/A	N/A
MacTung	North America Tungsten	Tungsten	Beyond Five Years	N/A	N/A
Howards Pass	Pacifica	Zinc, Lead	Beyond Five Years	N/A	N/A

Source: Minerals, Oil and Gas - ITI

Building of the Dyke at the Diavik™ Diamond Mine

Source: LDG

Monthly Economic Trends

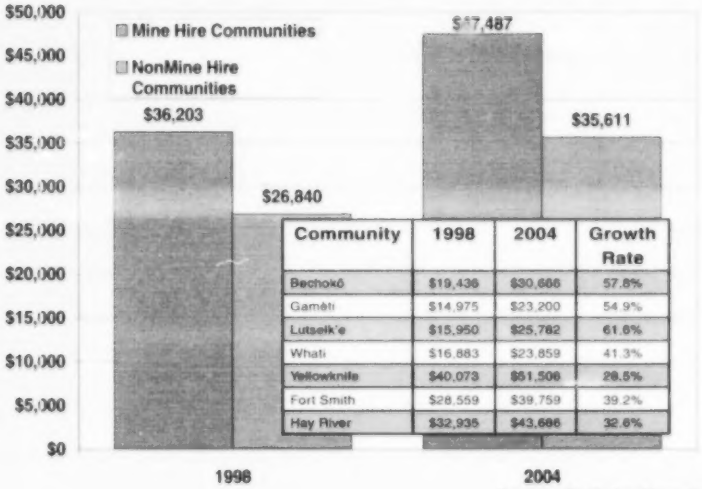


Source: Adobe

	Most Recent	Change from previous quarter	% Change from previous quarter	Change from previous year	% Change from previous year
Population	41,777	-152	-0.36%	-400	-0.95%
Migration	-272	-223	18%	260	----
Employed	23,100	100	0.43%	133	0.58%
Unemployed	1,000	0	0%	-100	-9.1%
Employment Rate	75%	0.3%	----	1.9%	----
Unemployment Rate	4%	-0.1%	----	-0.4%	----
Participation Rate	78%	0.3%	----	1.1%	----
Retail ($ mil.)	49.2	3.26	7.1%	4.10	9.1%
Restaurant ($ mil.)	7.87	1.35	21%	1.40	22%
Wholesale ($ mil.)	27.4	6.80	33%	6.08	29%
Manufacturing ($ mil.)	5.05	1.23	32%	-2.52	-33%
Building Permits ($ mil.)	1.5	0.65	----	-18%	----
Consumer Prices	127.7	0.7	0.55%	3.2	2.6%

Source: Statistics Canada

Community Incomes and Mining



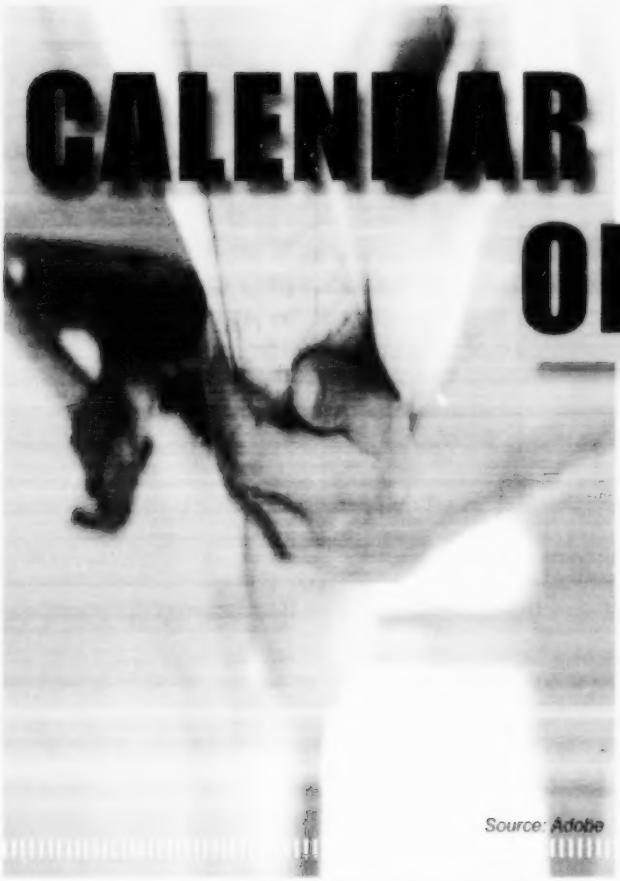
Community	1998	2004	Growth Rate
Behchokǫ̀	$19,436	$30,666	57.8%
Gamèti	$14,975	$23,200	54.9%
Lutselk'e	$15,950	$25,782	61.6%
Whati	$16,883	$23,859	41.3%
Yellowknife	$40,073	$51,506	28.5%
Fort Smith	$28,559	$39,759	39.2%
Hay River	$32,935	$43,686	32.6%

Source: Statistics Canada

The development of the diamond mine industry in the NWT over the last decade has resulted in large gains in employment incomes in communities that are staging points for pick-up for mine workers. Highlighted in the chart below, mine-hire communities (which includes the commnities of Behchoko, Gameti, Lutselk'e, Whati, Hay River and Fort Smith) have seen employment incomes increase by 31 percent from 1998, the year that the first diamond mine entered production, to 2004. In dollar terms, the increase is from $36,203 to $47,487.

Highlighted within the table inserted in the chart, all of the mine-hire communities experienced tremendous growth in employment incomes ranging from a low of 29 percent in Yellowknife to a high of 62 percent in Lutselk'e. In light of this, the Tlicho region as a whole is regarded as the major benefactor of diamond mining in the territory. Employment income in the region increased by a substantial 94 percent over the four-year period, from $19.8 million to $38.4 million.

*** Yellowknife was excluded in calculating the average income for the mine-hire affected communities to develop a more accurate picture showing the ultimate impact that mining jobs have on smaller communities and regional centres.*



Source: Adobe

CALENDAR OF EVENTS

A listing of business and economic related forums scheduled for the upcoming months in the NWT.

Inuvik Petroleum Show - June 13th-14th
MGP and regulatory review status as well as networking opportunities.

International Polar Year - August 20th-24th
The first conference on Geospatial Sciences and Applications for the North.

Prospects North - September 18th-20th
The North's largest business and investment conference.

Updates

1) **Invest NWT Website** - In April 2007, the Invest NWT website was launched. The site was developed in collaboration with the NWT Chamber of Commerce, the NWT and Nunavut Chamber of Mines, and the NWT Construction Association. This website will assist the business community in the NWT and potential investors in Canada and abroad. To view the page, please go to the following link: http://www.investnwt.com

2) **Investment and Economic Analysis (IEA) Webpage** - In May 2007, IEA relaunched its page within the Department of Industry, Tourism and Investment webpage with a new look and easier to follow links. If you are looking for information regarding a specific sector of the economy, information on how to start a business, or just general information on the NWT economy, be sure to visit the new IEA page at the following link: http://www.iti.gov.nt.ca/iea/

3) **NWT Bureau of Statistics -** The Bureau releases various statistics related to the NWT on its website. For the months of April and May new statistics on gross domestic product, labour force and the consumer price index were released. To review these updates or obtain access to various other statistical reports and publications, visit the Bureau's site at: http://www.stats.gov.nt.ca